IT Operations Managed Services – A Perspective

1 Introduction

This paper examines the concept of ‘Managed Services for IT Operations’, the real business drivers, the key factors to be considered, the types of managed service solutions, and a process for long-term success. This information is a compilation of experience based best practices to enable strategy development to reduce operations costs and optimize capital spending. The focus is on growing existing business, creating newer market opportunities and assisting with sourcing the right managed service partners through the evaluation of business understanding, skills and resources.

2 Managed Service – the concept

Managed Service is fundamentally any service managed and delivered by a provider under a contracted service level agreement. The term is used differently by various providers based on the context of the business and the services provided.

Managed Services Providers takes up complete management responsibility to deliver a service that was traditionally rendered by internal staff. Managed Services, however, is definitely not a one-size-fits-all concept. The Managed Services have to be customized based on the unique needs of the organization.

Very large IT services providers have developed leadership positions in Managed Services by moving up the business value chain. Having acquired functional knowledge of businesses these players have developed the ability to provide managed Business, Billing and Operational system support services in addition to network and systems.

Managed Services has increasingly proven to be a significant transformation agent for businesses in the highly complex and rapidly changing technology space where meeting and exceeding the consumer demands in a very competitive and price sensitive market is paramount.

2.1 Managed Services for IT Operations

Information Technology is critical to business competitiveness; however, information technology is not the business itself. Jack Welch once stated, “Your back office is someone else’s front office”
It is a proven fact that third party Managed Service Providers for IT Operations whose business strategy and models are aligned to meet customer’s IT Operations needs are significantly better positioned to bring operational efficiencies, and technological and transformation expertise to bear than the organization whose core business is not IT Operations.

**Information Technology is a core business enabler but not the core business itself**

Managed IT Services basically falls under one of the following categories:

**Plan and Design** – this encompasses planning, designing, development and optimization of business applications and support systems, network and systems, functions such as service desk, backup and recovery etc.

**Build** – technology evaluation, integration and implementation of networks, services, and end-user application development, maintenance and support and business support systems

**Hosting** – where the businesses outsource the complete IT infrastructure and hosts business applications and support systems on a service provider network. The hosting service provider is responsible for application availability and performance whereas the business focuses completely on its core business strategies and market leadership.

**Operate** – day-to-day IT Operations which include business application systems, network operation and maintenance, email services, IT service desk, vendor and contract management, etc. Typically IT Operations is critical BAU (business as usual) service and includes managing

- Network and Network Security
- Applications and Databases
- Server and Storage Systems
3 Business Drivers for Managed Services for IT Operation

Businesses across industries that have shown phenomenal growth during the past couple of decades are driven through innovations, transforming operations for efficiency and performance, aggressive and evolving competition, reducing margins; customer’s demanding more value for less, and technology convergence.

The businesses, therefore, have to deal with the strategic focus to create transformational value and differentiation to their customers from the limited assets under their control, both human and financial capital while also having to manage and optimize the business critical operations that are critically enabled by IT and telecom infrastructure.
3.1 Free Resources and Focus on Core Business

IT Operations are extremely critical to run-the-business, but are repetitive, non-value-added and a continuous costs to business. Businesses prefer to focus on market leadership strategies, increased revenue by developing and selling value-added products and planning for future growth. Such enterprises need to strategically consider contracting to Managed Services Provider(s) operations like business processes, network operations and maintenance, server and storage infrastructure monitoring and support, global help desk, day-to-day IT operations, production application support, and enterprise backup, thus enabling the highly experienced enterprise IT Operations work force who understand the business well to re-skill and re-focus on cutting-edge application and/or services or products development.

3.1.1 Driving Efficiency through Service Level Management

In the past enterprises would internally run their IT operations and support services delivering the network and application availability and performance through long-term employed staff, those who have developed significant expertise either as individuals or in small groups over many years. However, this model has not delivered consistent performance or scale or ability to measure, report, analyze, tune and optimize the various service levels necessary or meet business needs. With Managed Services contracts/agreements, the Service Provider and Customer agree on various Key Performance Indicators (KPI) as part of a comprehensive Service Level Agreement (SLA) for a defined set of services. Managed Services Provider (MSP) deploys the team to manage and operate the day-to-day round-the-clock services, adding value faster through best practices developed through knowledge and experience gained and assimilated through global knowledge management and process tuning. Service levels managed processes drive efficiency, system performance optimization and consistent reporting and analysis of value provided by IT to business.

3.1.2 Sharing responsibility, risks and rewards with trusted partner

The MSP takes complete responsibility for delivering the contracted services and meets service levels at high performance levels. The MSP becomes a partner and catalyst to growth. Managed services agreements also enable the reduction of risks in operations by sharing setup costs, people management, ramp up/down, attritions cost, transferring the responsibility of thought leadership to bring efficiency improvements at lower cost and successful introduction of new technologies or processes to the IT Operations. As a partner, the MSP also benefits by getting rewarded when the service levels are exceeded or other performance goals are exceeded.
3.1.3 **Access to experts, enterprise tools and world-class methodologies**

MSPs bring cross learning, best practices and knowledge of a variety of tools and technologies, process implementation and best-in-class service delivery methodologies. MSPs add value in terms of best practice developed based on their experiences across several organizations and domains. Managed service providers also reduce the risk associated with staffing challenges, retention and up-skilling the teams to keep pace with technology changes and support evolving demands.

3.1.4 **Reduced Total Cost of Operations**

Managed Services has successfully demonstrated measurable cost savings of up to 30% over the years resulting from increased efficiency, lower cost of human capital, higher skills, improved knowledge management and overall reduction in operating cost. Fixed monthly operating costs aligned with business streams allow better visibility and predictability to financial out flow.

MSPs economies of scale provide operating expenses reduction while also providing access to better practices, capabilities and processes.

Out-tasking or specific-subject-area managed service yields less savings compared to complete outsourcing. While both, out-tasking and complete outsourcing are flavors of Managed Service, the latter is disruptive in nature while the former allows transformations through manageable strategic initiatives.
4 Managed Services Models

Team augmentation is not managed services and involves contract consultants’ inclusion to bring in specific skills which may not be available internally or addition resources to enhance team size to meet the service plan coverage. The partner responsibility is minimal in terms of service ownership whereas the organization is fully responsible for the service deliverables at the desired levels to its end-users.

Some of the disadvantages include:

- Many organizations have come to realize that staff augmentation is not the most optimal way for support operations management.
- Cost increases as the business grows and more contract staff is added
- Economies of scale benefits are relatively low
- Inability to address geographic-reach and time-to-market issues
- On-boarding and training process is long
- Attrition management is more difficult and risk of replacement is borne by customer
- New technology deployment requires specific-skills
Team augmentation model also has its advantages:

- Customer organization controls the contract-staff selection
- Minimal strategy and planning required to add staff with specific skills for a project
- Internal resistance to add a contract staff is significantly lower compared to managed services
- Relatively low risk

Out-tasked Managed Service is limited in scope and identifies with one or more specific services which are critical parts of the overall IT function hived-off as managed service(s) with service levels which are limited in scope. Some typical Out-tasked Services include:

- Managed Network Monitoring
- Managed Network Operations
- Managed Production Operations
- Managed Server and Storage Monitoring
- Managed Messaging Systems Services
- Managed Global Help Desk
- Managed Database Monitoring and Support
- Managed Security Monitoring and Audit
- Managed Application Support

In Out-tasking managed service model, the customer retains all the assets whereas the service partner is responsible to provide a consistent level of service within the contracted scope of the engagement. The service providers bring strong point-technology or services capabilities, best practices and knowledge base specific to the subject area, which helps in tuning and optimization of the service. The task ownership is defined at a relatively granular level and articulates the entry and exit points of the service task under service provider control, therefore limiting the flexibility the service provider has and the extent to which transformation or innovation can impact the overall IT organization service deliverables to business or end-users.

While many businesses have contracted with pure play Hosting Services Providers for IT infrastructure build-out, maintenance, availability and performance, very few also entrust the HSP with running end-to-end IT operations either driven by risk mitigation strategy and spreading the risk across multiple managed service providers or HSP limited understanding of business operations. Enterprises must carefully design the managed services strategy across a few specialized players retaining the overall program management layer for effective governance and bring synergy in services integration across multiple MSPs to drive to a common and long-term strategic business goal.
4.1.1 Managed Services Approach

Proven Managed Services practices follow a phased and structured approach to make sure the strategic vision is defined and the right solution is articulated, all stakeholders understand the methodologies involved and are included in the service scope and process definition. Managed Service practice’s proven approach is illustrated below.

**Service Strategy:** A consulting approach starts with the discovery of business requirements and analysis of opportunities for Managed Services within the customer IT Operations. Establishing early, the trust in the relationship between the customer and service provider is critical in order to elicit the unique requirement of the customer and accurately tailor the solution.

The long-term commitment between the customer and Managed Services provider typically includes risk and reward elements to ensure that Service Strategy evolves fairly for both parties. It is best for customers to share their detailed business plans and revenue projections and operating expenditures. This will provide the strong basis to design from the ground up with the operational data needed to deliver on its objectives and develop an equitable agreement. The Service Strategy recommendation would be jointly agreed and customized to the available Managed Service scope.

**Service Design:** involves creating IT Operations Service Catalog, mapping Business and IT Processes, and through a contract Managed Services Business and Operational Solution. In the Managed Service Solution Design phase both the customer and service provider will establish a clear understanding of capabilities and risks associated with meeting the Service Level Agreement. Depending on the scale, significant emphasis needs to be dedicated towards planning. The outcome of this phase is a Managed Services Contract.
**Service Transition:** requires taking over the management and operational responsibilities. The MSP dedicates an experienced team for this critical transformation process to ensure continuity and expertise, overall program management template, and work closely with the customer to assess, document and validate the steps that are applicable to the defined scope. Heavy emphasis is placed on communication and escalation plans, targeted learning, the project team and governance.
4.1.2 Transition Challenges

Typically Out-tasking or Complete IT Operations transition is faced with a number of challenges. Some of the often experienced non-technical challenges include:

- Aggressive timelines
- Managing customer internal communications and emotions
- Managing knowledge acquisition from incumbent team
- Establish program management office and governance structure
- Identifying and managing operational risks

4.1.3 Transition Management Best Practices:

- Communicate, communicate, communicate (over communication will speed up aligning all key stake holders on new initiatives)
- Acknowledge internal resistance if any and proactively address and facilitate needed changes.
- Knowledge transfer – subject matter experts are best to ramp-up the delivery teams – provide incentives, motivate and validate knowledge acquisition
- Develop the SLA framework and baseline requirement
- De-risk by sequencing – horizontally, vertically and by geography
- Establish trust and work closely with selected partner
- Manage cultural differences – they exist and can be bridged

4.1.4 Customer's Offshore Maintenance and Support Center (OMSC)

Establishing customer’s offshore maintenance and support center (OMSC) involves a number of critical investment decisions around customer network extension to service provider centers, building the level of security required, commissioning data and voice communication channels, provisioning requisite infrastructure like desktops/laptops, test labs etc., Remote NOC for monitoring, verifying and validating access to enterprise ticketing systems and all devices that are in scope for monitoring and/or management.

Service Delivery: is the steady state operations phase which typically runs for 3 – 10 years. During the ongoing operations, service provider’s Managed Services delivery team will deliver to meet and exceed agreed service levels, bring highly skilled people, best practices and processes, introduce appropriate tools, cross-train team members and transform the services to a process-centric model.

The delivery team will start publishing Service Improvement plans, bring value-add, optimize the service delivery and improve on service consistency and performance. The MSP and customer will
work together to deliver innovation. Governance process will ensure visibility to daily/weekly operations and monthly/quarterly service quality, consistency and improvement.

5 Conclusion

Key success factors for a Managed Services engagement include:

- Organizations should set clear vision and strategic objectives for Managed Services
- High emphasis on communications, communications to all stakeholders
- Identify and build trust-based partnership between customer and MSP
- Know the current level of service and build a win/win Service Level Agreement
- Partner with the right company whose core values match and can leverage its global scale and experience
- Manage the relationship between operator and vendor with an effective governance model
- Look beyond immediate savings to transformational service delivery and innovation
- Operationally, get involved at the location of service delivery, visit your partner site

Disclaimer: The content provided herein is for informational purposes only. Mindtree makes no warranty expressed or implied in this summary. All the trademarks and logo belongs to their respective owners.

Author:
Koushik Ramani
Lead Architect and Head – IMS Consulting

Koushik heads the IMS Consulting and Solutions Architects for IMS, Mindtree. Mr. Ramani has 15 years of experience in Data Center Infrastructure Management delivering services around predictive administration, optimization and transformation services. He is actively involved in various technical communities and social media forums. He is an active contributor, and has specialized in Virtualization, Cloud Computing and Infrastructure optimization services.